

**DEFENSE SECURITY SERVICE**  
**Fiscal Year (FY) 2003 Budget Estimates**  
**February 2002**  
**Narrative Analysis**

**Functional Description**

The Defense Security Service (DSS) is under the direction, authority and control of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). DSS provides security services to the Department of Defense (DoD) through the integration of personnel security, industrial security, security training and education, information systems security and counterintelligence. Due to the integration of security services, combined with intelligence threat data, the DSS is uniquely positioned to facilitate the application of threat-appropriate security countermeasures.

The three primary business areas that comprise the DSS mission are: (1) the Personnel Security Investigations (PSI), whose investigations are used by the DoD adjudicative facilities to determine an individual's suitability to enter the armed forces, to access classified information, or to hold a sensitive position within the DoD; (2) The National Industrial Security Program (NISP), which primarily ensures that private industry, colleges, and universities that perform government contracts or research safeguard classified information in their possession; (3) The Security Training and Education Program (the DSS Academy—DSSA) provides security education and training programs to support DSS components, DOD agencies, military departments and contractors. The DSS Academy offers formal classroom training, computer-based training, correspondence and distance learning.

The majority of the DSS workload is driven by executive order requirements to ensure that appropriate security measures are taken when safeguarding classified material, either by DoD or contractor personnel.

**Activity Group Composition**

The Defense Security Service (DSS), Defense Working Capital Fund (DWCF), Defense Security Service Activity Group is structured with a Headquarters in Alexandria, VA and Linthicum, MD; with Regions and Operating Centers located in :

Northeast Region, Alexandria, VA  
Southeast Region, Smyrna, GA  
Central Region, Irving, TX  
West Region, Long Beach, CA  
Capital Region, FT Meade, MD  
Personnel Investigation Center (PIC), FT Meade, MD  
Defense Industrial Security Clearance Office (DISCO), Columbus, OH  
Defense Security Service Academy (DSSA), Linthicum, MD

The DSS missions included in the DWCF are the: Personnel Security Investigations (PSI) program; National Industrial Security Program (NISP); DSS Academy (DSSA). Operational functions, including the Information Technology and Communications Directorate, and Headquarters and logistical/administrative support are also in the fund.

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**Manpower Budget Highlights**

Civilian end strength and Full Time Equivalents (FTEs) are as follows:

	<b>FY 2001</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
	<b><u>CONTROL</u></b>			
Civilian End Strength	2,451	2,614	2,630	2,612
Civilian FTEs	2,451	2,550	2,611	2,593

**Personnel**

FTE Transfer - In order to meet the mandates of DWCF business operations, actual expenses for each business area must stand-alone. Historically, the PSI program collected all support costs for the Agency which is no longer appropriate. Therefore, in anticipation of full fee for service status in FY 2003, the BES realigns FTEs and other infrastructure costs from the PSI program to the DSS Academy (DSSA) and the National Industrial Security Program (NISP). This is based on careful tracking of our FTEs during FY 2001, which identified 18 PSI FTEs working solely for the DSSA, and 21 PSI FTEs performing NISP duties. With the exception of the Department of Defense Polygraph Institute (DoDPI) and Counterintelligence (CI), all DSS FTEs are in the WCF. Since the PSI funding was devolved to the customers in FY 1999, shifting these resources will require adjustments to customer funding. Funding for the FTEs has been shifted to the DSSA and NISP Operations and Maintenance (O&M) defense-wide accounts. FY 2003 Funding was increased by \$14.4M to cover the full Government share of the accruing retirement costs of current Civil Service Retirement System (CSRS) employees and the accruing Federal Employee Health Benefits (FEHB) costs of all future retirees.

Two-Year Term Positions – To maintain workforce flexibility we currently have 30 positions filled as two year term in working toward meeting our two-year term commitment of 149 FTEs.

Headquarters Reduction – FY 2003 FTEs are reduced by 18 in compliance with the Management Headquarters Reduction guidance issued by OSD P&R.

DSS made strides in reducing the number of General & Administration (G&A) FTEs from 20% in FYs 2001/2002 to 15% in FY 2003.

**Costs, Operating Results and Rates**

	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
Costs of Goods and Services Produced (Expenses) (Dollars in Millic)	467.703	474.909	421.980
Costs of Goods and Services Sold (Dollars in Millions)	467.703	474.909	421.980
Net Operating Results (Dollars in Millions)	-74.184	85.292	-11.480
Accumulated Operating Results (Dollars in Millions)	-73.812	11.480	0.000
Customer Revenue Rate per SP	\$567.52	\$581.02	\$648.39
Percent Rate Change from Prior Year	-3.77%	-13.11%	-3.15%
Unit Costs (Dollars/SPs)	\$605.92	\$526.50	\$509.90
Security Products (SP) (000)	528.9	535.9	590.9

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**Costs**

The increase in cost from FY 2001 to FY 2002 reflects the following: Pricing Adjustments (annualization of prior year pay raise, pay raise, fund price changes, and general purchase inflation), \$+10.3M; Increased FTE Workyears over previous year \$+7.1; Increase in TDY costs required to move employees to workload \$+3.5M, Increased OPM funding of \$+43.0M; Decreased Capital Funding \$-18.5M, Reduction in contract costs \$-29.5M; Reduction in contract consultant costs \$-1.4M

The decrease in cost from FY 2002 to FY 2003 reflects: Pricing Adjustments (annualization of prior year pay raise, pay raise, fund price changes, general purchase inflation and \$14.4M increase for CSRS and FEHB), \$22.7M; Increase of \$15.0M for CCMS, and \$10.8M for capital depreciation; Decreased Management HQ FTEs(18) \$-2.0M (to include support); and Decreased OPM Funding \$100.2M ;

Please note that the Cost for CSRS and FEHB will be included in the DSS rates starting in FY 2004.

Capital Equipment in FY 2003 reflects a \$3.6M software decrease; and an increase of \$4.7M for the movement of vehicles from operations to capital. Additionally, 31 of the 315 vehicles purchased in FY 2003 will be Alternatively Fueled Vehicles (AFVs).

FY 2003 Funding Incorporates 9% reduction from FY 2002 Baseline, as stated in the Amended Budget Submission June 2001, as directed by OSD Comptroller in BES guidance.

**Operating Results and Rates**

Service level billing remains in effect. As a result, billing rates are not established and Net Operating Result (NOR) equals customer financing minus costs incurred.

**Carry-Over**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
(Dollars in Millions)			
New Orders	387.059	560.201	410.500
Carry-In	6.459	0.000	33.897
Gross Orders	393.518	560.201	444.397
Total Revenue	393.518	560.201	410.500
Carry-Over	0.000	33.897	68.746

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**Performance Indicators**

The performance measures contained in the Performance and Quality Measures section of this budget estimate submission were developed in conjunction with the performance metrics in our Defense Resource Board (DRB) Performance Contract. These performance measures reflect expectation for DSS' performance during FY 2002 & FY 2003 in each of our three core mission areas: Personnel Security Investigations, Industrial Security, and Security Training and Education. There are six categories of performance measures: financial, timeliness, quality, customer satisfaction, capacity and productivity. Performance data will be collected and reported throughout the fiscal year to gauge our progress. Metrics that do not accurately measure performance will be revised as needed.

The information provided pertains predominantly to FY 2002 as our FY 2003 DRB Performance Contract has neither been fully vetted with our customers and stakeholders nor agreed upon by the contracting parties. Furthermore, the strategic plan to which these link is currently under revision as well.

1. Financial Indicators:

a) Maintain unit cost within budget.

2. Timeliness:

a) PSI: Reduce processing time of initial SSBI's from 240 days to 90 days by FY2002 and out. (Goal: close 75% within time frame.)

b) PSI: Reduce processing time on NAELC's for initial secret and confidential (S/C) and S/C-PR's from 114 days in to 75 days in FY2002 and out. (Goal: close 75% within time frame.)

c) PSI: Reduce processing time on TS-PRs (SSBI-PR's) from 210 days to 120 days by FY 2002 and out. (Goal: close 75% within time frame)

d) PSI: Maintain processing time for 90% of the Auto-ENTNAC's at 30 days in FY 2002 and out.

d) ISP: Issue interim Facility Security Clearances in an average of 95% w/in 90 days in FY2002 and out.

3. Quality:

a) PSI: Improve the percentage of Personnel Security Investigations that meet national standards resulting from Standard and Evaluations reviews to 97% by the end of FY 2002 and out.

b) DSSA: Provide for biennial validation of existing course and new course requirements in FY02 and out.

4. Customer Satisfaction:

a) Reduce the adjudicative returns to no more than 1% of total cases forwarded to the Central Adjudication Facilities (CAF) for FY2002 and out.

5. Throughput (capacity):

a) PSI: Meet annual daily production capacity/throughput, measured in secret equivalents, of 2157.

b) DSSA: Increase the number of Adjunct professors at the DSSA to > 27.

c) DSSA: Increase completions in instructor lead DSSA courses in FY2002 and out to 4000.

6. Productivity:

a) PSI: Increase cases closed per year per investigative resource relative to workload and mix of cases (total security products) to 374. (This metric is currently being tested.)

b) PSI: Increase closed cases processed per Case Analyst relative to workload and mix of cases (total security products) to 3099.

(This metric is currently being tested.)

c) ISP: Increase percentages of completed annual facility inspections per year to 98% for FY2002 and out.

Footnote:

1. Daily throughput equals DSS' goal of producing, on average, calculated monthly, 2157 cases per day added to contractor capacity of production, on average, of 150 cases per day. 2. An investigative resource is defined as either an investigator or an investigative technician.

**Capital Budget**

Initially, a third system for the Case Control Management System (CCMS) Information System (IS) was to be purchased in FY 2002. However, the CCMS IS has been stabilized and improvements to hardware peripherals have been implemented. Additionally, the CCMS IS framework and application software present a real risk to production. Therefore, the FY 2002 Capital Budget for DSS will be used to support application enhancements/interfaces and overall system improvements to the CCMS IS. The Capital Budget reflects a \$0.9M decrease in FY 2002 and a \$7.2M increase in FY 2003 from the previous Presidents Budget.

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
(Dollars in Millions)			
Equipment	1.932	0.000	0.000
ADPE & Telecommunications	3.408	0.000	0.000
Software	23.936	12.259	15.900
Vehicles	0.000	0.000	4.729
Total	29.276	12.259	20.629



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**Exhibit Fund-11 Source of Revenue**

(Dollars in Millions)

	FY 2001	FY 2002	FY 2003
1. a. Military Department Operations and Maintenance			
Department of the Army	72.226	130.536	60.081
Department of the Navy	79.234	144.315	68.398
Department of the Air Force	82.490	125.730	95.230
Other			
Other			
Subtotal Military Department O&M:	233.950	400.581	223.709
Defense-Wide Operations and Maintenance			
DCAA	1.003	0.474	0.306
DIA	4.318	2.970	2.997
DSS-PSI	94.210	97.846	103.088
DTRA	0.400	0.012	0.538
JCS	0.214	0.688	0.119
NSA	4.500	13.042	6.287
OSIA	0.000	0.000	0.000
USUHS	0.000	0.279	0.098
WHS	2.933	2.236	2.309
USSOCOM	0.200	0.672	0.360
NIMA	2.600	2.817	2.946
DSS-ISP	31.158	30.536	56.455
MEPCOM	0.000	0.000	0.000
DCMA	0.979	0.429	0.708
OSD	0.000	4.838	0.000
DOHA	0.000	0.000	0.059
Other	1.211	0.000	0.000
DSSA	4.748	0.000	6.991
Subtotal Defense-Wide O&M:	148.474	156.839	183.261
Other Operations and Maintenance			
OIG	0.346	0.321	0.365
b. Defense Working Capital Fund			
DECA	0.000	0.147	0.011
DFAS	1.642	0.309	0.251
DISA	1.852	1.372	2.035
DLA	0.493	0.617	0.868
Other			
Other			
	3.987	2.445	3.165
c. Total DoD	386.757	560.186	410.500
d. Non DoD Agencies and Others			
Department of Transportation	0.000	0.000	0.000
General Accounting Office	0.000	0.000	0.000
White House	0.000	0.000	0.000
Other	0.302	0.015	0.000
Subtotal Non-DoD Agencies and Others:	0.302	0.015	0.000
Total New Orders:	387.059	560.201	410.500
2. Carry-in Orders	6.459	0.000	33.897
3. Total Gross Orders	393.518	560.201	444.397
4. Funded Carry-over	0.000	33.897	68.746
5. Total Gross Sales	393.518	526.304	375.651
6. Number of Months of Carry-Over	0.00	0.73	2.01

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**Exhibit Fund-14 Revenue and Expenses**

(Dollars in Millions)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Revenue			
Gross Sales:	393.518	560.201	396.094
Operations	393.518	560.201	385.261
Surcharges	0.000	0.000	0.000
Depreciation	0.000	0.000	10.833
Major Construction Depreciation	0.000	0.000	0.000
Other Income	0.000	0.000	14.406
Refunds/Discounts (-)	0.000	0.000	0.000
Total Income:	393.518	560.201	410.500
Expenses			
Salaries and Wages:	180.532	195.560	215.066
Military Personnel Compensation & Benefits	0.000	0.000	0.000
Civilian Personnel Compensation & Benefits	180.532	195.560	215.066
Travel & Transportation of Personnel	4.589	8.156	6.303
Equipment	0.286	0.607	0.618
Other Purchases from Revolving Funds	1.286	1.602	1.631
Transportation of Things	0.507	0.462	0.470
Depreciation - Capital	0.000	0.000	10.833
Printing and Reproduction	0.484	0.692	0.705
Advisory and Assistance Services	2.426	2.018	2.054
Rent, Communication, Utilities, & Misc. Charges	15.474	16.192	16.453
Other Purchased Services	262.118	249.619	167.848
Total Expenses:	467.703	474.909	421.980
Operating Result	-74.184	85.292	-11.480
Net Operating Result	-74.184	85.292	-11.480
Prior Year Adjustments			
Prior Year AOR	0.373	-73.812	11.480
Accumulated Operating Result	-73.812	11.480	0.000